

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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| COMMONWEALTH EDISON COMPANY | : | |
| | : | |
| Annual formula rate update and revenue | : | Docket No. 16-0259 |
| requirement reconciliation authorized by Section | : | |
| 16-108.5 of the Public Utilities Act. | : | |

Surrebuttal Testimony of
CHAD A. NEWHOUSE
Manager,
Revenue Policy
Commonwealth Edison Company

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1 **I. INTRODUCTION**

2 **A. Witness Identification**

3 **Q. What is your name and prior participation in this docket?**

4 **A.** My name is Chad A. Newhouse. I am the Manager, Revenue Policy, of Commonwealth
5 Edison Company (“ComEd”). I previously submitted pre-filed direct (ComEd Exhibit
6 (“Ex.”) 2.0) and rebuttal (ComEd Ex. 9.0) testimony in this docket. My background,
7 professional qualifications, duties, and responsibilities are unchanged.

8 **B. Purpose of Surrebuttal Testimony**

9 **Q. What is the purpose of your surrebuttal testimony?**

10 **A.** The primary purpose of my surrebuttal testimony is to respond to the rebuttal testimony
11 of Staff of the Illinois Commerce Commission (“Commission” or “ICC”) (“Staff”)
12 witness Richard W. Bridal (ICC Staff Ex. 5.0) regarding costs associated with employee
13 recognition and the #SmartMeetsSweet initiative as well as to the rebuttal testimony of
14 Staff witness Scott Tolsdorf (ICC Staff Ex. 4.0) regarding the Original Cost
15 Determination. In addition, I offer one additional reduction to the revenue requirement
16 related to an Other Revenue adjustment.

17 **C. Summary of Conclusions**

18 **Q. What are the primary conclusions of your surrebuttal testimony?**

19 **A.** A summary of my conclusions are as follows:

- 20 1) In order to limit the issues in the current proceeding, but without waving its right to
21 contest other proposed disallowances based on similar arguments in this or any future

proceeding, ComEd accepts Staff witness Mr. Bridal's adjustment related to employee recognition costs and has adjusted the revenue requirement accordingly.

2) ComEd also acknowledges that Mr. Bridal has removed his proposed adjustment related to the #SmartMeetsSweet initiative and, as such, this issue is no longer contested.

3) ComEd recommends an additional change to the revenue requirement to reflect a correction to Other Revenue that was identified after rebuttal testimony was submitted.

4) ComEd agrees with Staff witness Mr. Tolsdorf's recommendation that the Commission should find that the original cost of ComEd's electric utility plant in service as of December 31, 2015, was \$18,436,012,000.

D. Itemized Attachments to Surrebuttal Testimony

Q. What are the attachments to your surrebuttal testimony?

A. The attachments to my surrebuttal testimony are:

1) **ComEd Ex. 13.01** contains the following applicable schedules and appendices of ComEd's revenue requirement formula, populated with data reflecting ComEd's 2017 Rate Year Net Revenue Requirement and its components for charges to become effective with the January 2017 monthly billing period:

- Revenue Requirement Formula Schedule ("Sch") FR A-1, Sch FR A-1 - REC, Sch FR A-2, Sch FR A-3, Sch FR A-4, Sch FR B-1, Sch FR B-2, Sch FR C-1,

Sch FR C-2, Sch FR C-3, Sch FR C-4, Sch FR D-1, Sch FR D-2, Appendix
 (“App”) 1, App 2, App 3, App 4, App 5, App 6, App 7, App 8, App 9, App
 10, and App 11.

The amounts presented are largely the same as presented in ComEd Ex. 9.01, adjusted
 for the issues discussed later in my surrebuttal testimony.

2) **ComEd Ex. 13.02** contains the workpapers that have been updated from ComEd
 Ex. 9.02 to support the schedules and appendices in ComEd Ex. 13.01:

- WP 1, WP3, WP7, and WP10;

3) **ComEd Ex. 13.03** contains the following “Part 285” schedules that have been
 updated from ComEd Ex. 9.03 and are required to be submitted in a general rate case
 under Part 285 to support the revenue requirement calculations associated with Sch
 FR A-1 - REC:

- Part 285 Schedule Bs: B-1 RY, B-2 RY, and B-8 RY;
- Part 285 Schedule Cs: C-1 RY, C-2 RY, C-5 RY, C-5.4 RY, and C-23;

4) **ComEd Ex. 13.04** contains workpapers that have been updated from ComEd Ex. 9.04
 to support the Part 285 schedules included in ComEd Ex. 13.03:

- WPB-8 RY, WPC-1a, and WPC-23;

5) **ComEd Ex. 13.05** contains the following Part 285 schedules that have been updated
 from ComEd Ex. 9.05 to support the 2017 Rate Year Net Revenue Requirement
 presented on Sch FR A-1 to the extent that they differ from the Part 285 schedules

that support the 2015 Reconciliation Revenue Requirement presented in Sch FR A-1 -
REC:

- Part 285 Schedule Bs: B-1 FY, B-2 FY, and B-8 FY;
- Part 285 Schedule Cs: C-1 FY, C-2 FY, C-5 FY, and C-5.4 FY;

6) **ComEd Ex. 13.06** contains workpapers that have been updated from ComEd Ex. 9.06
to support the Part 285 schedules included in ComEd Ex. 13.05:

- WPB-8 FY;

7) **ComEd Ex. 13.07** contains a detailed bridge of the changes from ComEd's revenue
requirement as presented in ComEd Ex. 9.01 to its revenue requirement as presented
in ComEd Ex. 13.01.

Unless otherwise noted, the schedules, appendices, and work papers in ComEd
Exs. 13.01 through 13.07 have been prepared by me or under my direct supervision.

II. DELIVERY SERVICE REVENUE REQUIREMENT

A. 2015 Reconciliation Year Revenue Requirement

Q. Have you updated ComEd's 2015 Reconciliation Year revenue requirement?

A. Yes. As shown in ComEd Ex. 13.01, Sch FR A-1 REC, line 23, ComEd's updated 2015
Reconciliation Year revenue requirement is \$2,409,510,000. This amount incorporates
adjustments, including adjustments to operating expense and rate base, as agreed to by
ComEd and described later in my surrebuttal testimony.

81 **B. 2017 Initial Rate Year Revenue Requirement**

82 Q. **Have you updated ComEd's 2017 Initial Rate Year revenue requirement?**

83 A. Yes. As shown in ComEd Ex. 13.01, Sch FR A-1, line 23, ComEd's updated 2017 Initial
84 Rate Year Revenue Requirement is \$2,568,747,000. This amount incorporates
85 adjustments, including adjustments to operating expense and rate base, as agreed to by
86 ComEd and described later in my surrebuttal testimony.

87 **C. 2017 Rate Year Net Revenue Requirement**

88 Q. **Have you updated ComEd's 2017 Rate Year Net revenue requirement?**

89 A. Yes. As shown in ComEd Ex. 13.01, Sch FR A-1, line 36, ComEd's updated 2017 Rate
90 Year Net Revenue Requirement is \$2,647,680,000. This amount incorporates
91 adjustments, including adjustments to operating expense and rate base, as agreed to by
92 ComEd and described later in my surrebuttal testimony. This updated revenue
93 requirement is the basis for the delivery service rates that will go into effect in January,
94 2017.

95 **III. OPERATING EXPENSES**

96 **A. #SmartMeetsSweet Initiative**

97 Q. **Are the costs associated with the #SmartMeetsSweet Initiative still at issue in this
98 proceeding?**

99 A. No. Mr. Bridal (Staff Ex. 5.0, 3:54-61) withdrew his adjustment to disallow SMS costs,
100 stating that ComEd's rebuttal testimony and subsequent data request responses
101 demonstrated that the costs were associated with educational and informational
102 advertising, allowable under Section 9-225(3) of the Public Utilities Act.

B. Employee Recognition

Q. Are the costs associated with employee recognition still at issue in this proceeding?

A. No. Mr. Bridal (Staff Ex. 5.0, 5:85-97) revised his adjustment to only remove from the revenue requirement employee recognition costs associated with safety awards and service/longevity awards. Mr. Bridal removed his proposed adjustment related to costs associated with employee achievement/performance awards, noting that they were “sufficiently supported to show that it was reasonable, prudent and necessary for the provision of utility services and had a direct customer benefit.” Staff Ex. 5.0, 6:118-120. In order to limit the issues in the current proceeding, but without waiving its right to contest other proposed disallowances based on similar arguments in this or any future proceeding, ComEd accepted Mr. Bridal’s adjustment and removed from the revenue requirement \$1,596,000 of expenditures associated with safety and service/longevity awards.

IV. OTHER ISSUES

A. Deferred Payment Agreement (“DPA”) Reinstatement Fees

Q. Is ComEd aware of any adjustments that need to be made to the revenue requirement for “Other Revenue” related to DPA Reinstatement Fees?

A. Yes. ComEd identified that revenue related to DPA Reinstatement Fees was inadvertently excluded from its “Other Revenues” in its direct filing. As shown in ComEd Ex. 13.02, WP 10, Line 57, Column E and ComEd Ex. 13.01, App 10, Line 57, Column F, adjustments have been made to correctly include this revenue. The adjustment reduces the net revenue requirement by \$1,374,000.

125 **B. Original Cost Determination**

126 Q. **In his rebuttal testimony, Mr. Tolsdorf (Staff Ex. 4.0, 6:125-7:134) agreed with your**
127 **adjustments to the Original Cost Determination as set forth in your rebuttal**
128 **testimony (ComEd Ex. 9.0) and recommends an additional disallowance of \$3,000**
129 **for capitalized employee recognition costs. How do you respond?**

130 A. I agree with Mr. Tolsdorf's adjustment to the Original Cost Determination and his
131 recommendation to approve \$18,436,012,000 (Staff Ex. 4.0, 7:137-138) as the original
132 cost of plant as of December 31, 2015.

133 V. **CONCLUSION**

134 Q. **Does this conclude your surrebuttal testimony?**

135 A. Yes.